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Marketing and logistics cooperation problems in Latvian companies

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Abstract

The given article analyses the discrepancies in the tasks of marketing and logistics and cooperation problems between these two areas within a company, as well as defines the role of these disciplines in the common system of business management. The authors point out the necessity of effective cooperation of marketing and logistic resulting in efficiency growth of the company and in improvement of competitiveness by means of collaboration synergy. Authors propose the results of the inquiry carried out in Latvian companies, revealing the most popular models of integration of marketing and logistics within the company and main cooperation problems between the departments of marketing and logistics. Authors reveal the reasons of competitive weakness of the companies caused by the insufficient evaluation of the fundamental necessity to integrate marketing and logistics as well as by the ignorance of the company management regarding the maintenance of effective cooperation between the departments of marketing and logistics departments, decreasing the competitiveness of Latvian companies.

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1. Introduction

In order to ensure the competitiveness of a company in the present-day conditions, a complex approach in implementation of functions of marketing and logistics should be applied. The integration of marketing and logistics will make possible higher increase of the customers' satisfaction and improve the image of the company in the market. Nevertheless, in the process of building the aforementioned integration the company might face different problems to be discussed by the authors of the present article.

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The aim of article: to reveal the problems typical to integration of marketing and logistics in medium and large enterprises of Latvia, to analyze the causes of these problems and to identify the possible directions to improve the integration process between the functions of marketing and logistics.

Research object: the integration of the functions of marketing and logistics in large and medium enterprises of Latvia within present-day conditions.

Research objective: basing on analysis of integration problems of marketing and logistics, show the possible directions to improve the correlation of these functions in modern large and medium enterprises of Latvia.

Tasks of the research:

1. To create a theoretical justification of the necessity to integrate the functions of marketing and logistics in the enterprise;
2. To carry out the inquiry of top managers of the large and medium companies of Latvia regarding the integration of functions of marketing and logistics and the related problems.
3. To elaborate the directions to improve the integration of functions of marketing and logistics in Latvian companies.

Research methods: abstractive analysis of literature, interrogation.

Research results: clearly outlined problems and possible solutions in order to improve the integration of functions of marketing and logistics in large and medium companies in Latvia.

2. Theoretical justification of the necessity to integrate the functions of marketing and logistics within a company

The efficiency of the modern company management to great extent depends on level of integration between its functional systems, including the integration between the functions of logistics and functions of marketing. It is necessary to point out that this integration can result in the effect of synergy (both positive and negative). To achieve the positive effect of synergy it is necessary to ensure the integration of the elements within each system. According to the authors of the present article, the maximum effect can be achieved by simultaneous application of different integration directions of the systems and their elements.

Synergistic effect in marketing system is the result of orientation of all elements of marketing system in the process of their interaction on the needs of the consumer, on satisfaction of his or her necessities. Synergy is the result of target-oriented management; it does not appear by itself as a random effect. However, the effect appearing as the result of integration of different elements of marketing system can be both positive ($2+2>4$) and negative ($2+2<4$). The value of positive synergistic effect of interaction of marketing system elements exceeds the sum of effects of independent functioning of the same elements. Therefore any company is interested in getting positive synergy effect as the result of its market activity (Praude & Salkovska 2010).

A close competition in international markets, introduction of new products of short life-history, high demands of the consumers regarding the quality of the products and the quality of services cause the necessity to implement the element integration within the system of logistics. The integration of the logistic activities unites all suppliers of goods, services and information, who increase the consumption value of the product in order to meet the needs of final consumer (Praude, 2013).

Marketing system is a complex of interrelated economic, organizational, social, legal and market elements as well as external and internal information flows of a company, that functionally depend on the final customer. In each specific case this complex is formed individually, depending on the type of good, market situation etc. The methods of marketing system management in the company are chosen accordingly. In marketing system 4 main closely interrelated subsystems can be distinguished: subsystem of marketing functions management; subsystem of marketing complex elements; subsystem of different types of marketing communications; subsystem of interaction of different market subjects. The use of integrated approach, that provides according conditions for the appearance of positive synergistic effect, is possible and expedient both in interactions of subsystems and in interactions of elements in scope of each subsystem (Praude & Salkovska 2010).

Logistics comprises the planning, organizing and control of economic activities that ensures the flow of material values., the flow of related information and the focused financial flow, storage, displacement, distribution and other activities envisaged to meet the consumers' needs with optimal costs (Praude, 2013).

Obviously, the aforementioned specifications show that the final target of the functioning of both marketing system and logistics system in the company is the meeting of consumers' needs and demands. Thus, the only target creates a coefficient for integration between the functions of marketing and logistics in a modern company.

The cooperation of marketing and logistics can be considered the complex collaboration of marketing and logistics aimed to satisfy the needs of the consumer. Here we can identify the direct interdependence of such elements of marketing and logistics complex as product; place and price (see Fig.1).

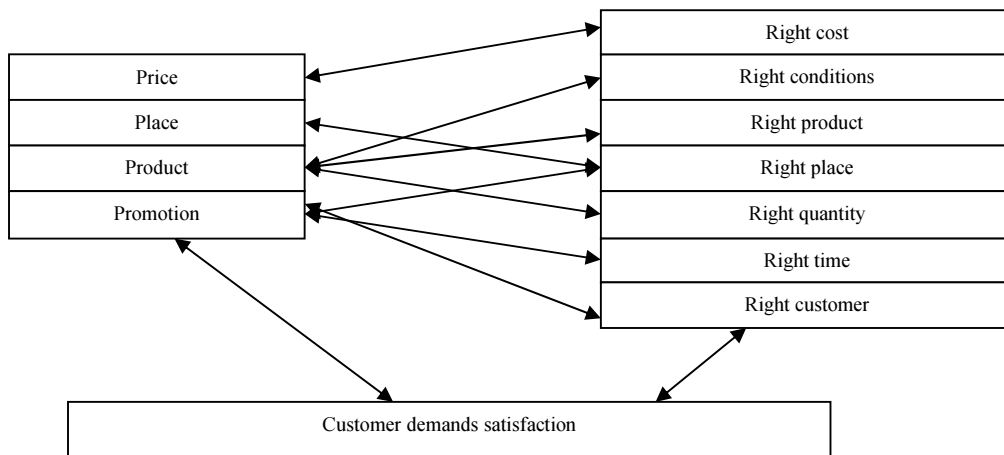


Fig. 1. Complex cooperation between marketing and logistics (Bubliy, 2008)

In point of the fact logistics and marketing can be used also independently as constant and substantial conceptions of the management, however in this case the efficiency will decrease. Department and Institute of Work Organization of the Higher Technical School of Rhine-Westphalia (Germany) brought up a question for discussion, that in case marketing disregards the reality of logistics and the activities of logistics are not implemented applying the principles of marketing system, both functions result defective and the management of the company is non-efficient (Industrial logistics, 1994). In this case, as the demands of consumers will not be met, the competitiveness of the company will decrease.

There are three types of relation between the aims of the management system:

- the conflict of aims, when the achievement of one aim is impeded by another aim, which is set simultaneously, for instance, the raise of the products quality and the decrease of costs
- the complimentary relation, when the achievement of one aim increases the possibility to accomplish another aim, for instance, high level of service in the logistic channels improves the image of the company and positively impacts the increase of the sales
- the indifference of aims, when the achievement of one aim does not impact the accomplishment of another aim.

Between marketing and logistics in terms of economics, only the complimentary relation is observed, however in practice the conflicts between the different types of activities of the company emerge very often (Bubliy, 2008). In the third chapter the authors will discuss specific conflicts emerging upon integration of functions of marketing and those of logistics in the enterprises of Latvia.

The need of integration of functions of marketing and logistics has been historically emphasized by different authors. Thus, this problem was raised by Kostoglodov and Kharisova, who hold the view that the integration of logistics and marketing within a company will enable the following:

- ensure the feedback between the seller and the consumer, implementing the market research functions meanwhile guaranteeing the demand and stimulating the sales
- increase the efficiency of advertisings, ensuring the professional approach to the elaboration and implementation of campaigns
- gradually transform the company's ideology from pure increasing of demand towards the marketing-oriented ideology (Kostoglodov & Kharisova 1997).

Bowersox and Closs emphasize that the impact of logistics to the competitiveness of the company depends on the way the logistics is integrated into the marketing activities of the company. This process is what determinates the level of consumers' satisfaction (Bowersox & Closs, 2001).

Professor Praude accentuates the necessity of integration of company's business, marketing and logistics strategies nowadays (Praude, 2013). The authors of the present publication share the opinion that the integration process of marketing and logistics first of all shall comply with the corporative strategy of the enterprise. This is the only way, how the integration of functions of marketing and logistics can provide the positive effect of synergy.

3. Inquiry of top managers of large and medium enterprises of Latvia

In May 2013, in order to reveal the problems and set possible directions to improve the integration of marketing and logistics functions in large and medium enterprises of Latvia the inquiry of top managers of large and medium enterprises was organized under guidance of the authors, applying simple random sample method. Volume of sample: 148 large and medium enterprises. Main population of the research constitutes 2301 large and medium enterprises of Latvia (Ministry of Economics). Questionnaire survey method was used in the research: questionnaires were sent by e-mail and handed over to respondents by the authors personally. Before sending the questionnaire by e-mail the preliminary consent regarding participation in the research was received from each company's representative.

Consequently, the results of the inquiry show that the managers of the majority of large and medium enterprises of Latvia (75.7%) consider marketing and logistics independent yet correlated activities (see Fig. 2):

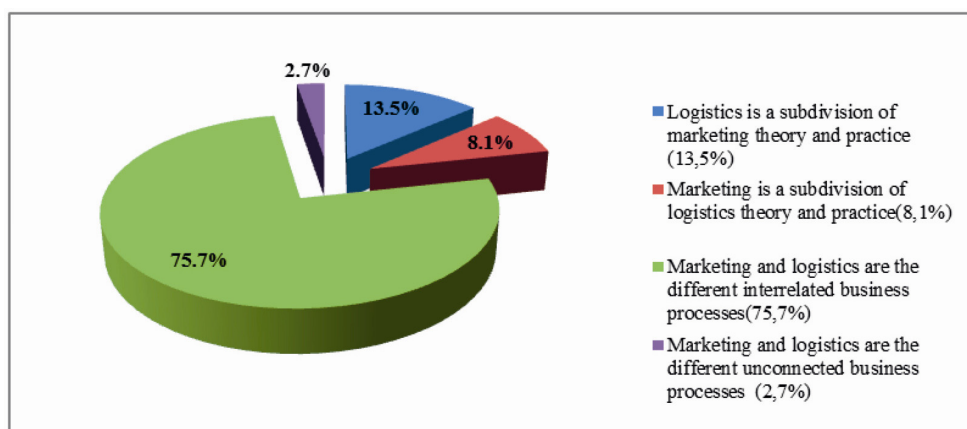


Fig. 2. The opinion of top managers of the large and medium enterprises of Latvia regarding the correlation of marketing and logistics (according to the results of the inquiry carried out by the authors of the article in May 2013)

The opinion of non-existent correlation between marketing and logistics was expressed only by 2.7% of the managers inquired. Being a necessary, yet insufficient condition to increase the efficiency of the process, the recognition of this correlation by the top managers creates a positive precondition for the integration of functions of marketing and logistics in the Latvian companies. Negative impact to the integration of marketing and logistics is

provided by the underestimation of the meaning of either marketing (8.1% of the top managers inquired) or logistics (13.5%). As the main field of integration the respondents mention the process of choice-making and the creation of sales system (70.3%). Half of representatives of Latvian companies (51.4%) admit the necessity of integration of marketing and logistics in the process of product/service improvement, which is a very positive trend according to the opinion of the authors of the article. Only 5 years ago the results of similar research carried out by the same authors, the opinion regarding the affiliation of the improvement process of product/services to marketing functions was comparatively categorical. At the time, only 23% of the managers accredited purposeful cooperation of marketing specialists and logistics experts in order to resolve this issue.

According to the authors of the article, the managers underestimate the significance of integration of marketing and logistics in the research of market demand (only 10.8% of the respondents mentioned the necessity of collaboration in this issue), the segmentation of market (14.3%) and in the investigation of competitors (22.2%). The improvement of cooperation between the experts of marketing and logistics in the mentioned areas will enable the putting of the integration process of these functions in a new quality level and will increase the competitiveness of the company.

To make the integration of functions of marketing and logistics efficient it is necessary to ensure the cooperation of the aforementioned specialists/departments of the company. 24.3% of the companies represented by the managers participating in the inquiry, have a single organizational structure responsible for the implementation of functions of both marketing and logistics (see Fig.3). Mainly, this is a policy of medium enterprises. A positive aspect is the cooperation of marketing specialists and experts of logistics within the framework of separated projects (in 24.3% of the companies). It is necessary to point out that this policy generally is a feature of large enterprises. The negative aspect of the case is the fact that 8.1% of Latvian companies represented by the managers participating in the inquiry do not integrate the functions of marketing and logistics at all. In the opinion of the authors of the present article, such a situation can provide negative impact to the efficiency of the general management of the company and increase the number of unsatisfied customers.

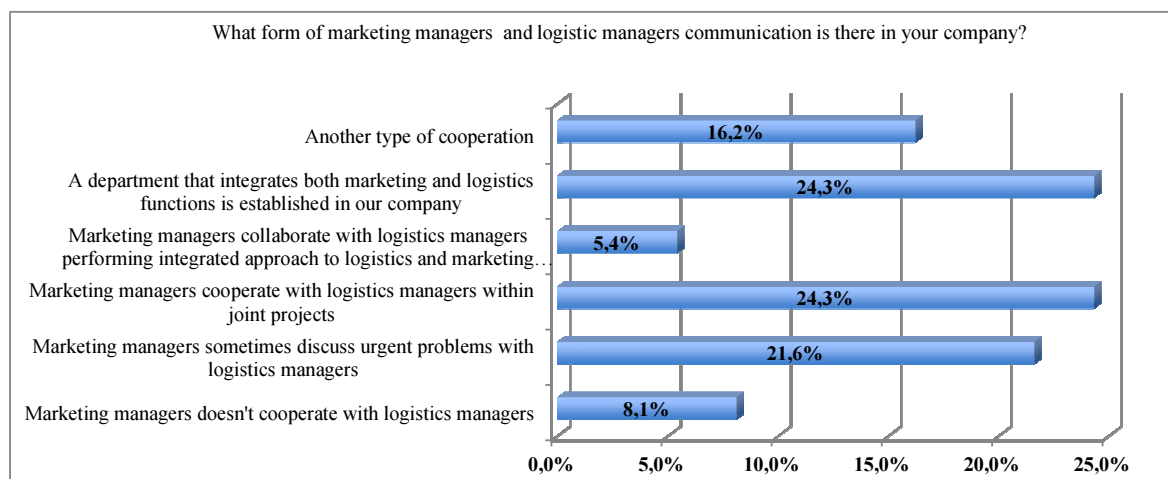


Fig. 3. Integration of the specialists/departments of marketing and logistics of large and medium Latvian enterprises (according to the results of the inquiry of top managers carried out by the authors of the article in May 2013)

As a result of the research, the authors have set up the rating of problems emerging in Latvian companies during the integration process of functions of marketing and logistics:

1. The experts/departments of logistics are mainly focused on values of internal measurements instead of being focused on needs of consumers (problem was pointed out by 47% of respondents while each respondent was free to mention any number of problems);

2. The specialist/department of marketing and that of logistics do not understand the close correlation of these two areas and their common impact to the profit of the company (problem pointed out by 36.4% of respondents);
3. Marketing specialists/departments have insufficient communication with the specialists/department of logistics and do not provide sufficient information on strategic decisions (problem pointed out by 27.3% of respondents);
4. Insufficient competence of the marketing specialists, lack of training (problem pointed out by 23.5% of respondents);
5. Interest conflicts arising within the process of cooperation of specialists/departments of marketing and logistics (problem pointed out by 21.7% respondents);
6. The specialists/departments of marketing are of the opinion that logistics does not influence the satisfaction of the customers (problem pointed out by 19.5% of respondents);
7. Insufficient competence of the specialists of logistics, lack of training (problem pointed out by 16.4% of respondents);
8. Partial (insufficient) awareness about functions and responsibilities of other specialists/departments of the company (problem pointed out by 12.3% of respondents);
9. The employees of marketing and logistics department do not cooperate due to the personal communication problems, including distrust (problem pointed out by 9.2% of respondents);
10. Only few elements of marketing and logistics concepts are used by the company (problem pointed out by 8.4% of respondents).

The aforementioned rating of problems emerging in Latvian companies during the integration of functions of marketing and logistics set by the authors reveals the insufficient understanding of the necessity to integrate the functions of marketing and logistics by the specialists of marketing and logistics. Despite the admission of the existing problems in the area of integration of functions of marketing and logistics in Latvian companies, the managers inquired also admit the complementary relationship between the goals of marketing and goals of logistics, namely, the accomplishing of one purpose increases the possibility to accomplish the other (73% of managers inquired) (see Fig. 4). This fact is highly appreciated by the authors of the article.

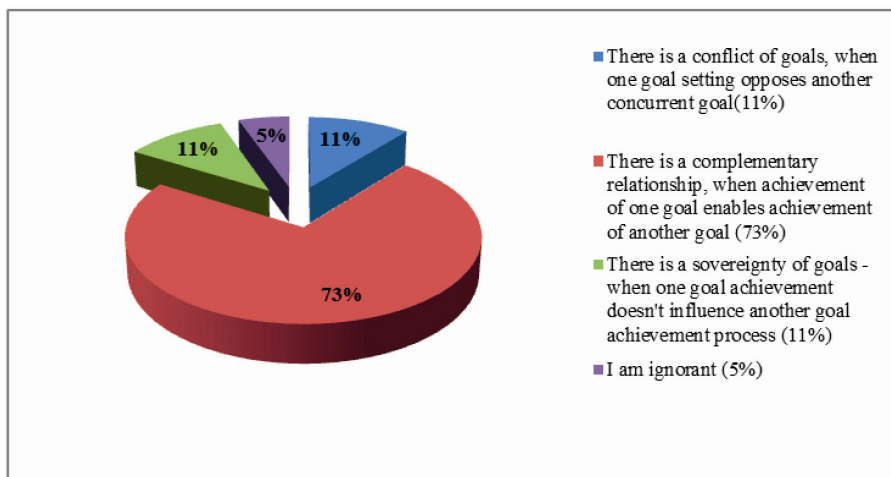


Fig. 4. Correlation of goals of marketing and logistics within an enterprise (according to the results of the inquiry of top managers carried out by the authors of the article in May 2013)

Though, the inquired managers of large and medium enterprises of Latvia are of the opinion, that the reinforcing of functions of marketing and logistics in the companies will necessarily bring not only positive, but also negative consequences of the integration of marketing and logistics. Thus, 35% of the respondents think, that it will be

necessary to deal with functional conflicts between the two structures, 14% of managers think, that the employees will not be satisfied with the changes introduced, and 8% of the managers are of the opinion that the integration of marketing and logistics will cause inconveniences to the control process of the set integrated goal (see Fig. 5):

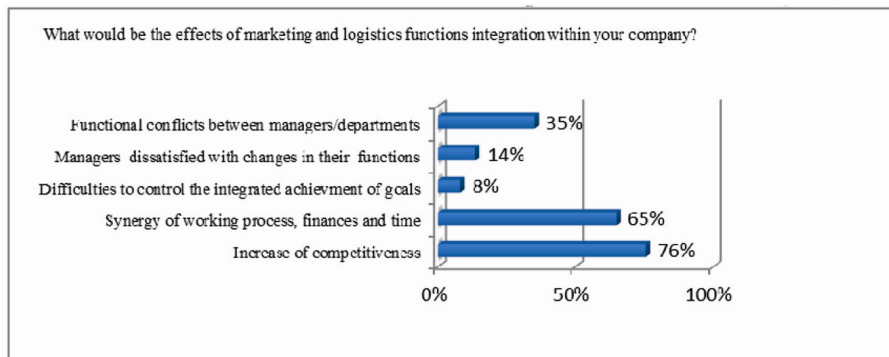


Fig. 5. Effects of the integration of functions of marketing and logistics in Latvian companies (according to the inquiry of top managers carried out by the authors of the article in May 2013)

The apparently positive effect in case of integration of marketing and logistics is the increase of competitiveness of the companies forecasted by the managers of large and medium enterprises of Latvia (76% of managers have chosen this answer). 65% of managers indicate to the probability of synergy effect merging work, financial and time resources.

The opinion of the inquired top managers of large and medium enterprises of Latvia regarding the measures that would improve the integration of functions of marketing and logistics in the company is of great interest in this research. As a result of the research, the rating of the measures to be applied in order to improve the integration of functions of marketing and logistics was composed:

1. To stimulate within the company the increase of awareness of the employees regarding the functions of other specialists/departments, emphasizing the necessity of integration in order to ensure the competitiveness of the company (68% of respondents have chosen this answer while each of respondents was free to tick any number of answers);
2. The management of the company should set the functional goals to be achieved together (51% of respondents);
3. To organize the training of the employees within the company by inviting the outsourced experts (43% of respondents);
4. To order the seminars from professional training companies about the integration possibilities of marketing and logistics, the advantages of this process as well as invite the representatives of other companies (38% of respondents).

Subsequently, as a result of the research, the authors have theoretically established and practically demonstrated the necessity of integration of marketing and logistics functions in the companies, defined the problems and offered the possible directions to improve the integration of functions of marketing and logistics in large and medium enterprises in Latvia.

4. Conclusions

The results of the aforementioned research have led the authors to the following conclusions:

The expediency of integration of functions of marketing and logistics in the company is determined by the necessity to satisfy the demands of consumers and to achieve the positive effects of synergy.

To increase the positive effects of synergy caused by the integration of functions of marketing and logistics in the company, the integrated approach is necessary regarding the integration of the elements within marketing system and the integration of elements within the system of logistics.

Top managers of large and medium enterprises of Latvia consider reasonable to strive to the integration of organizational structures responsible for marketing and logistics as such and integration would serve to achieve the synergy effect merging work, financial and time resources.

The extent of integration of marketing and logistics functions in large and medium enterprises of Latvia currently has considerable potential of further development, provided that the integration problems detected in the research are duly solved.

The integration of marketing and logistics functions is accompanied by problems related to the insufficient understanding by marketing specialists and the experts of logistics regarding the necessity of integration of these functions.

To stimulate the integration of marketing and logistics functions within large and medium enterprises of Latvia, it is necessary to do the following:

- to stimulate within the company the increase of awareness of the employees regarding the functions of other specialists/departments, emphasizing the necessity of integration in order to ensure the competitiveness of the company
- the management of the company should set the functional goals to be achieved together
- to organize the training of the employees within the company by inviting the outsourced experts
- to order the seminars from professional training companies about the integration possibilities of marketing and logistics, the advantages of this process as well as invite the representatives of other companies.

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